GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1950
ANSWERED ON:26.07.2002
BANK INTEFTEST RATES
SUKDEO PASWAN

Will the Minister of FINANCE be pleased to state:

(a) whether attention of the Government has been drawn to the news article ,captioned `Mera Loot Mahaan` appearingin the Indian Express dated 13.07.2002;

(b) if so, the facts of matters reported therein;

(c) the reaction of the Government thereto;

(d) whether the rSlte of intEtrest to small subscrib~3!rS has been reduced in the banks etc.to help pmvide loan tCI industrialists at lee.ser rate of interest; and

(e) if so, the .steps taken to inCreaSE!! the rate of interest on deposits by small investors?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIANANT.G.GEETE)

(a): Yes, Sir.
(b): The ne`NS article in the Indian Express dated 1:-1.7.200:2 mainly focused on theissue of Non Performing Assets of Banks and Financial Institutions.

(c): Government of India and RBI have advised thet bcmks and financial institutions totake several steps for recovery of dUE!lii which include evolvingclnd implementation of recovery policy, compromise settlement through Settlement Advisory Committees and filing of suits in Debts. Recovery Tribunals (DRTs). On 21st JunE~, 2002, Government has promulgated `The Securitisation and Rec()nstructic)n 01` Financial Assets and Enforcement of SecuritiesInterest Ordinance, 2002` to facilitate foreclosure and l:!nforcement of securities in cases of default in banks and financial institutions tCI realize their dUies.

(d) & (e): Since RBI has dere~gulated the intere~~t rates on eldvances above RS.2 lakhswith effect from 18th October 1994, the rate of interest on cidvances are determined by the banks themselves. Banks hCilve also been advised on 19th October 1996 to announce maximum spreads pver Prime Lending Ratl:~ (PLR) (being the minimum lending rate charged by banks in respect of credit limits over RS.2 fakhs to the !)j3St borrow9rs). For credit limits uptoRS.2 lakh, banks have been asked to charge interest at the rate not exceeding PLR.

With effect from 22 October 199ir, Reserve Bank of India (I~BI) has given freedom tocommercial banks to fix their own interest rates on domestic: term deposits of various maturities with prior approval of respective Board of Directors/Asset LiabilityManagement Committee (ALCO). However, banks cannot discriminate in the matter ofrate of interest paid on deposits, between one depositor and another. Exceptions have been given in respect of deposits received from Senior Citizens, bulk depositsof greater than RS.15.00 fiakl1 and bank`s staff members etc.